

VZCZCXRO9727

PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDF RUEHIK RUEHLH RUEHLD RUEHLZ

RUEHPW RUEHROV RUEHVK RUEHYG

DE RUEHAB #0180 0361102

ZNR UUUUU ZZH

P 051102Z FEB 08

FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 0215

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 3341

RUEHBJ/AMEMBASSY BEIJING PRIORITY 1157

RUEHKO/AMEMBASSY TOKYO PRIORITY 1025

RUEHIT/AMCONSUL ISTANBUL PRIORITY 1594

RUCNDT/USMISSION USUN NEW YORK PRIORITY 0713

RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEHVEN/USMISSION USOSCE PRIORITY 2186

RUEAIIA/CIA WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEKJCS/JOINT STAFF WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS ASHGABAT 000180

SIPDIS

SENSITIVE

SIPDIS

STATE FOR SCA/CEN, EEB

TREASURY FOR BAKER/LANIER

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [EFIN](#) [TX](#)

SUBJECT: TURKMENISTAN: CENTRAL BANK ANNOUNCES EXCHANGE RATE WILL STAY STABLE

REF: A. 07 ASHGABAT 1230

[1](#)B. 07 ASHGABAT 1239

[1](#)C. 07 ASHGABAT 1251

[1](#)D. 07 ASHGABAT 1403

[1](#)E. ASHGABAT 0017

[11](#). (U) Sensitive but unclassified. Not for public Internet.

[12](#). (U) Following several days of continuing rumors that Turkmenistan's commercial exchange rate of 19,800 manat to the dollar was going to appreciate, Turkmenistan's state-run Watan TV news quoted the head of the Central Bank's Foreign Currency Regulation and Foreign Economic Relations Department, Alladurdy Meredov, that the Central Bank at present has no plans to revise the current exchange rate. The 19,800 manat/dollar rate has remained the same since the introduction of (new) currency-exchange operations at the beginning of the new year, and will remain so "in the future." Meredov stressed, "This rate will be stable so that we maintain stability within our enterprises and organizations." He also asserted that the Central Bank has "sufficient" reserves of both manats and foreign hard currency to accommodate foreign exchange needs.

[13](#). (SBU) The rumors that the manat would appreciate to a rate of 15,000 manat/dollar following a Cabinet of Ministers meeting on January 31 started circulating earlier that day. By mid-afternoon, a number of exchange points around Ashgabat, including the one in the Yimpash department store frequented by foreigners and Turkmen elite, closed early due to heavier-than-usual currency exchanges by a jittery local population. However, most of the main banks remained open through the day. Dollar-to-manat exchanges remained heavy February 1-2.

[14](#). (SBU) COMMENT: As demonstrated in the recent increased sales of dollars here, popular confidence in the government's ability to merge the "official" exchange rate of 6250

manats/dollar with the "commercial" rate has been shaky ever since November 2007, when a poorly handled early effort to unite the two rates led to panic selling of dollars, hurting many of Turkmenistan's citizens who keep their savings in dollars (Refs A, B and C). Whether the reportedly authoritative rumors January 31 were a trial balloon for a new "readjustment" of the manat rate or just another stray rumor gone rampant, the Central Bank announcement -- clearly meant to calm the situation -- is unprecedented, and offers a major departure from former President Niyazov's "Golden Age" approach of denial. In fact, the episode shows, in a major departure from the past, the government responding in an open manner to a concern of the general public. END COMMENT.

HOAGLAND